



Press Release
AKARA CAPITAL ADVISORS PRIVATE LIMITED
December 29, 2023

Rating Downgraded, Withdrawn and Issuer not co-operating

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	10.00	ACUITE BBB CE Downgraded Issuer not co-operating*	-
Bank Loan Ratings	140.00	Not Applicable Withdrawn	-
Total Outstanding Quantum (Rs. Cr)	10.00	-	-
Total Withdrawn Quantum (Rs. Cr)	140.00	-	-

Rating Rationale

Acuite has downgraded the long-term rating from '**ACUITE A- (CE)**' (read as **ACUITE A minus (Credit Enhancement)**) to '**ACUITE BBB (CE)**' (read as **ACUITE triple B (Credit Enhancement)**) on the Rs.10.00 Cr. bank facility of **AKARA CAPITAL ADVISORS PRIVATE LIMITED** (ACAPL). The rating is now flagged as 'Issuer not cooperating' and is based on the best available information.

The rating on the Rs. 140 Cr. bank loan facilities is withdrawn without assigning any rating as the Instrument is unutilized and not an outstanding obligation of the company. The rating is being withdrawn on account of the request received from the company as per Acuite's policy on withdrawal of ratings as applicable to the respective facility/instrument.

Rationale for Downgrade:

The rating is downgraded on account of information risk which is critical for conducting surveillance & review of the rating.

The Rs 10.00 Cr transaction has a PCE in the form of unconditional, irrevocable, payable on demand guarantee by Northern Arc covering 18 percent of the issue size of the facility. The level of guarantee as a percentage of the aggregate outstanding principal of the issuance is, however, capped at 30 percent. If due to the amortization of the facility, the credit enhancement percent exceeds 30 percent of the aggregate outstanding principal of the issuance, the Guarantee Cap shall be reduced to 30 percent of the aggregate outstanding principal of the issuance (Revised Guarantee Cap). The final rating is assigned based on the fulfilment of the structure, terms and covenants detailed in the executed trust deed, deed of guarantee, legal opinion, debenture trust agreement, deed of hypothecation and other documents relevant to the transaction.

About the Company

Incorporated in 2016, Akara Capital Advisors Private Limited (ACAPL) is a Delhi based Nondeposit taking NBFC (ND-NBFC) registered with RBI effective 2017. ACAPL is promoted by Mr. Tushar Aggarwal and Mrs. Shruti Aggarwal, who collectively have over two decades of experience in financial services. ACAPL is engaged in lending customized personal loan products ranging Rs.0.01 lacs to Rs.5 lacs, primarily to salaried customer segment. The company is originating and disbursing loan through 'Stashfin', a platform developed and operated by group company, EQX Analytics Private Limited (EAPL). The company's AUM

stood at Rs.605.15 Cr. as on June 2022, comprising of owned portfolio of Rs.532.99 Cr. and off-book exposure of Rs.72.16 Cr.

About the Group

Morus Technologies Pte Limited (MTPL) is a Singapore based company that commenced its operations in 2017 and is engaged in providing lending and tech services through its subsidiaries, ACAPL and EAPL respectively. MTPL is promoted by Mr. Tushar Aggarwal and Mr. Parikshit Chitalkar and is backed by investors like Tencent Cloud Europe BV and Uncorrelated Ventures and senior investment professionals of KKR.

About the Guarantor

Northern Arc, previously known as IFMR Capital Finance Ltd., is a Non-Deposit taking NonBanking Financial Company (ND-NBFC) incorporated in 1989. It is involved in the placement (arranging funding for its clients via loan syndication, securitisation and assignment among others) and lending business. The company acts as a link between mainstream capital markets investors and highquality last mile lending institutions and businesses. The company's business is categorized as finance sector exposure, i.e., microfinance, affordable housing finance, commercial vehicle finance, consumer finance, agri-finance and small business loans, and non-finance sector exposure, i.e., mid-market finance and corporates.

Unsupported Rating

ACUITE BB+

Non-cooperation by the issuer/borrower

Acuité has been requesting for data, information and undertakings from the rated entity for conducting surveillance & review of the rating. However, the issuer / borrower failed to submit such information before the due date. Acuité believes that information risk is a critical component in such ratings, and noncooperation by the issuer along with an unwillingness to provide information could be a sign of potential deterioration in its overall credit quality. This rating is therefore being flagged as "Issuer not-cooperating", in line with prevailing SEBI regulations and Acuité's policies.

Limitation regarding information availability

The rating is based on information available from sources other than the issuer / borrower (in the absence of information provided by the issuer / borrower). Acuité endeavored to gather information about the entity / industry from the public domain. Therefore, Acuité cautions lenders and investors regarding the use of such information, on which the indicative credit rating is based.

Rating Sensitivities

No information provided by the issuer / available for Acuite to comment upon.

All Covenants

Financial Covenants

1. Minimum capital ratio of Tier I Capital and Tier II Capital to aggregate risk weighted assets on-balance sheet and of risk adjusted value of off-balance sheet items shall not be less than 20.00 percent (Twenty Point Zero Zero percent) or as per the regulatory minimum prescribed by the Reserve Bank of India under the NBFC Master Directions, whichever is higher.
2. Maximum permissible ratio of Total debt to Tangible Networth shall be 2.50x.
3. Maximum permissible ratio of Net Non-Performing Assets to Gross Loan Portfolio shall be 5.00 percent.

Financial Covenants of Credit Enhancer

The Credit Enhancer shall at all times until the Discharge Date ensure that the financial covenants set out below are complied with until the Discharge Date: a. its Capital Adequacy Ratio of at least 15% (Fifteen percent) or as per the regulatory minimum prescribed by the Reserve Bank of India under the NBFC Master Directions.

Assessment of Adequacy of Credit Enhancement

ACAPL has moderate experience in the unsecured personal loan and its capital position has been bolstered by capital infusions. Thus, even after considering risks such as possible asset quality deterioration, Acuité believes that the credit enhancement will stand adequate in all

scenarios and in the event of any requirement, Northern Arc will provide the necessary support.

Liquidity Position

No information provided by the issuer / available for Acuite to comment upon.

Outlook: Not Applicable

Other Factors affecting Rating

None

Key Financials:

Key Financials - Standalone

Particulars	Unit	FY23 (Actual)	FY22 (Actual)
Total Assets	Rs. Cr.	1433.51	632.56
Total Income*	Rs. Cr.	140.69	28.34
PAT	Rs. Cr.	25.87	6.49
Net Worth	Rs. Cr.	411.40	280.95
Return on Average Assets (RoAA)	(%)	2.50	1.70
Return on Average Net Worth (RoNW)	(%)	7.47	3.63
Debt/Equity	Times	2.40	1.20
Gross NPA (Owned portfolio)	(%)	N/A	4.02
Net NPA (Owned portfolio)	(%)	N/A	3.82

*Total income equals to Net Interest Income plus other income.

Key Financials - Consolidated

Particulars	Unit	FY22 (Prov.)	FY21 (Prov.)
Total Assets	Rs. Cr.	782.88	308.19
Total Income*	Rs. Cr.	78.53	24.59
PAT	Rs. Cr.	(22.09)	(17.43)
Net Worth	Rs. Cr.	207.12	217.29
Return on Average Assets (RoAA)	(%)	(4.05)	(11.31)
Return on Average Net Worth (RoNW)	(%)	(10.41)	(16.05)
Debt/Equity	Times	2.61	0.34
Gross NPA	(%)	N/A	N/A
Net NPA	(%)	N/A	N/A

*Total income equals to Net Interest Income plus other income

Status of non-cooperation with previous CRA

Not applicable

Any other information

None

Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Banks And Financial Institutions: <https://www.acuite.in/view-rating-criteria-45.htm>
- Complexity Level Of Financial Instruments: <https://www.acuite.in/view-rating-criteria-55.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Explicit Credit Enhancements: <https://www.acuite.in/view-rating-criteria-49.htm>

- Non-Banking Financing Entities: <https://www.acuite.in/view-rating-criteria-44.htm>

Note on Complexity Levels of the Rated Instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite' s categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria “Complexity Level Of Financial Instruments” on www.acuite.in

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
30 Sep 2022	Term Loan	Long Term	10.00	ACUITE A- (CE) Stable (Assigned)
	Proposed Term Loan	Long Term	25.00	ACUITE BBB Stable (Reaffirmed)
	Proposed Term Loan	Long Term	15.00	ACUITE BBB Stable (Reaffirmed)
	Proposed Term Loan	Long Term	100.00	ACUITE BBB Stable (Assigned)
01 Jul 2022	Proposed Term Loan	Long Term	10.00	ACUITE Provisional A- (CE) Stable (Reaffirmed)
	Proposed Term Loan	Long Term	25.00	ACUITE BBB Stable (Reaffirmed)
	Proposed Term Loan	Long Term	15.00	ACUITE BBB Stable (Reaffirmed)
04 Apr 2022	Proposed Term Loan	Long Term	15.00	ACUITE BBB Stable (Reaffirmed)
	Proposed Term Loan	Long Term	10.00	ACUITE Provisional A- (CE) Stable (Assigned)
	Proposed Term Loan	Long Term	25.00	ACUITE BBB Stable (Reaffirmed)
30 Dec 2021	Proposed Bank Facility	Long Term	25.00	ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)
	Proposed Bank Facility	Long Term	15.00	ACUITE BBB Stable (Assigned)
07 Dec 2020	Proposed Bank Facility	Long Term	25.00	ACUITE BBB- Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Not Applicable	Not Applicable	Proposed Term Loan	Not Applicable	Not Applicable	Not Applicable	Simple	25.00	Not Applicable Withdrawn
Not Applicable	Not Applicable	Proposed Term Loan	Not Applicable	Not Applicable	Not Applicable	Simple	15.00	Not Applicable Withdrawn
Not Applicable	Not Applicable	Proposed Term Loan	Not Applicable	Not Applicable	Not Applicable	Simple	100.00	Not Applicable Withdrawn
Hinduja Leyland Finance Ltd.	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	10.00	ACUITE BBB CE Downgraded Issuer not co-operating*

Contacts

Analytical	Rating Desk
Mohit Jain Senior Vice President-Rating Operations Tel: 022-49294017 mohit.jain@acuite.in Yash Bhalotia Senior Analyst-Rating Operations Tel: 022-49294065 yash.bhalotia@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in

About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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